



**Office of the Attorney General
Paul G. Summers**

**Department of Commerce and Insurance
Commissioner Paula Flowers**

CONSUMER ALERT

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VEHICLE FINANCING FRAUGHT WITH CHOICES, PITFALLS

Buying an automobile is a big decision and deciding how to pay for it could determine how long and how much you end up spending. With so many choices and prices, Tennessee Attorney General Paul G. Summers encourages consumers to educate themselves before determining whether to finance.

“As with any consumer transaction, there are pitfalls consumers should be aware of when buying a vehicle,” Attorney General Summers said. “Do your homework and decide what option best fits your lifestyle before signing on the dotted line.”

Although some consumers arrange financing directly from their preferred lending institution, the most common way to buy an auto is through “dealership financing.” Here, the consumer signs a contract agreeing to the purchase. The main benefit to consumers is the fact that the contract includes an extension of time to pay, which is usually 36-60 months. The benefit to dealers and lenders is the additional finance charge and extras, such as extended warranties, added to the contract. After the contract is signed, the dealer usually assigns the contract to a bank that provides the loan (or another institution such as a credit union or finance company).

“The best advice to consumers is to make sure you know what you are signing and comprehending the information on any document that you sign,” said Mary Clement, director of the

Tennessee Division of Consumer Affairs. “Oftentimes, the consumer signs a contract without understanding the terms of the agreement, and this is a binding legal agreement between the two parties.”

The Attorney General and Director of Division of Consumer Affairs suggest a number of steps to help make the buying experience a satisfying one. The first step is to assess your personal finances. This includes setting a maximum amount to pay per month as well as a total amount to pay over a number of years. Many Internet sites offer payment calculators to help with an assessment. Second, every consumer should get a copy of their credit report. The ability to finance an auto on favorable terms depends on a credit score and history. Negative credit information can increase the total amount you pay for a car, especially the interest rates charged by the dealership and lender.

After you decide a budget plan, compare financing rates. Check the Internet, call lenders of all types; and, look at advertisement to see what each is offering for interest rates and financing terms. This can vary widely from week to week depending on sales, the local market, and your credit. A good place to start is a lending institution with which you already have a relationship.

Finally, you should comparison shop when it comes to vehicle prices. Although many ads offer good deals, some are too good to be true. Always be aware of deceptive advertising and do not be afraid to ask questions about terms and prices.

Remember all terms must be disclosed to the consumer in writing. Contracts can be confusing and loaded with unfamiliar terms. Be careful and take whatever time you need to become completely comfortable with the terms of the proposed deal. You do not have to sign the documents right away. Consider thinking about it for a while or showing the documents to a trusted friend.

If you think you have a problem with your vehicle purchase, contact the Motor Vehicle Commission at (615)741-2711 or the Division of Consumer Affairs at (615) 741-4737 or 1-800-342-8385 or online at www.state.tn.us/consumer/.